

COMMITTEE ON GOVERNMENT REFORM
TOM DAVIS, CHAIRMAN



NEWS RELEASE

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Davis Statement on Share-in-Savings Contracts

Washington, D.C. – Government Reform Committee Chairman Tom Davis (R-VA) issued the following statement today on the Government Accountability Office (GAO) report titled, *GAO-05-736 Federal Contracting: Share-in-Savings Initiative Not Yet Tested*:

“The E-Government Act of 2002, which I sponsored, authorized the use of share-in-savings contracting for information technology. Share-in savings contracts represent an innovative, performance-based approach to procurement that encourages industry to share technology and solutions with the government – without large ‘up-front’ costs to the taxpayer. They are, in essence, “turbo-charged” performance-based contracts.

“Under these creative arrangements, the contractor is paid based on the savings the company generates for the government. These contracts provide the most powerful incentive imaginable for the contractor to deliver results to the government. The genius is in the simplicity: the more a company saves the government, the more it gets paid. Through these contracts government agencies can lower their costs and simultaneously improve service delivery to taxpayers.

“As mandated by the E-Gov Act, GAO recently reported to Congress on the effectiveness of the share-in-savings contracts. GAO reports that since timely guidance has not been issued on the use of these innovative contracts, contracting officials have shied away from using share-in-savings contracts to meet their information technology (IT) needs. Therefore, GAO could not report on the effectiveness of these contracts but focused on the status of regulations and tools available to agencies in developing these contracts and identified the reasons agencies have not used the authority provided by the Act.

“The E-Gov Act required implementing regulations be issued by mid-September 2003. However, more than two years after enactment of the Act, final implementing regulations and OMB guidance for using share-in-savings contracts for information technology have yet to be issued. According to the report, agency officials are reluctant to use share-in-savings contracting until the implementing regulations are finalized.

“It’s extremely frustrating that the regulations still have not been issued, merely one month before the authority to use these contracts is set to expire. The Committee still believes that share-in-savings contracting could have resulted in massive savings on IT projects for the federal government. I remain enthusiastic about the future of share-in savings contracting and look forward to the extension of the existing authority and its implementation.”

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